

## Message Text

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PAGE 01 ROME 13415 202141Z

ACTION EB-08

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TO SECSTATE WASHDC 4275

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UNCLAS ROME 13415

PASS FRB

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJ: IMF CONCLUDES THREE-WEEK MISSION IN ROME

REF: ROME 12950

1. THE IMF TEAM DEPARTED ROME JULY 19 AFTER THREE WEEKS OF CONSULTATIONS WITH ITALIAN OFFICIALS. PRESS REPORTS DESCRIBE THE FUND'S JUDGEMENT AT THE CONCLUSION OF THE VISIT AS "PROVISIONAL" AND REPORTED THAT A TEAM WOULD RETURN TO ROME WHEN THE GOVERNMENT COULD GIVE THE FUND DEFINITE COMMITMENTS ON REFORMING THE PUBLIC FINANCES. ONLY AT THAT POINT WOULD THE IMF BE PREPARED TO DISCUSS A NEW STAND-BY LOAN REPORTED TO BE IN THE AMOUNT OF ONE BILLION SDRS. SUCH A RETURN VISIT IS SCHEDULED FOR EARLY OCTOBER.

2. CORRIERE DELLA SER (JULY 19) QUOTED ALAN WHITTOME, HEAD OF THE FUND TEAM, AS STATING: "THE PLAN FOR 1979 AND THE THREE-YEAR PLAN FOR 1979-81 AS SET FORTH BY MINISTER PANDOLFI (REFTEL) REPRESENT AN APPRECIABLE EFFORT AND OUR VIEW OF THEM IS SUBSTANTIALLY POSITIVE. NOW, HOWEVER, THESE PLANS HAVE TO BE DISCUSSED AND APPROVED BY THE POLITICAL PARTIES AND THE UNIONS AND MUST HAVE THE FORCE OF LAW. WE OF THE INTERNATIONAL

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MONETARY FUND BELIEVE IT IS USEFUL TO COME BACK ONLY WHEN WE ARE SURE OF BEING ABLE TO COUNT ON COMMITMENTS THAT ARE NOT AFTERWARDS REOPENED FOR DISCUSSION."

3. LA REPUBBLICA REPORTED (JULY 19) THAT PUBLIC EXPENDITURE, COST OF LABOR, AND REFORM OF PUBLIC ADMINISTRATION ARE CARDINAL POINTS IN A MEMORANDUM WHITTOME LEFT WITH MINISTER PANDOLFI. ACCORDING TO THE NEWSPAPER, THIS MEMORANDUM CONTAINS CEILINGS

FOR 1979 ON THE ENLARGED PUBLIC SECTOR DEFICIT, THE INCREASE  
IN REAL WAGES, AND THE PERCENT SHARE OF PUBLIC EXPENDITURES OF GDP.  
THE MEMORANDUM IS ALSO SUPPOSED TO CONTAIN PRECISE INDICATIONS  
ON HOW PUBLIC SPENDING SHOULD BE CUT IN ORDER TO PERMIT,  
BEGINNING NEXT YEAR, THE NON-INFLATIONARY RECOVERY OF THE  
ITALIAN ECONOMY.

4. LA STAMPA'S ARTICLE ON THE FUND'S VISIT POINTS TO THE  
PENSION SYSTEM AS THE MOST DIFFICULT AREA OF REFORM IN THE  
PANDOLFI PLAN. THE UNIONS HAVE REACTED VERY NEGATIVELY TO  
PANDOLFI'S SUGGESTION TO IMPOSE A CAP ON PENSION INCREASES NEXT  
YEAR.GARDNER

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## Message Attributes

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